

4247

# **CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM**

**ALEXANDRIA, LOUISIANA**

**DECEMBER 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/4/08

**City of Alexandria Employees'  
Retirement System**

**December 31, 2007**

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1946

**Independent Auditor's Report**

Board of Trustees  
City of Alexandria Employees' Retirement System

We have audited the accompanying statement of plan net assets of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of December 31, 2007, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the City of Alexandria Employees' Retirement System (a pension trust fund of the City of Alexandria, Louisiana) and do purport to, and do not, present fairly the financial position of the City of Alexandria, Louisiana, as of December 31, 2007, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the plan net assets held in trust for pension benefits of the City of Alexandria Employees' Retirement System, as of December 31, 2007, and the change in its net assets held in trust for pension benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees  
City of Alexandria Employees' Retirement System

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2008, on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other required supplementary information on pages 3 through 6 and 16 through 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as additional information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants

May 19, 2008

**Required Supplemental Information**  
**Part I**

**Management's Discussion and Analysis**

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2007**

Our discussion and analysis of the City of Alexandria Employees' Retirement System's financial performance provides an overview of the System's financial activities for the year ended December 31, 2007. Please read it in conjunction with the accompanying financial statements.

**Overview of the Financial Statements**

Management's Discussion and Analysis is intended to serve as an introduction to the System's financial statements, required supplemental information, and the supporting schedules as described below:

- The **Statement of Plan Net Assets** includes all of the System's assets and liabilities, and provides information about the nature and amount of investments available to satisfy the pension benefits of the System. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2007.
- The **Statement of Changes in Plan Net Assets** reports the results of operations during the year, categorically disclosing the additions and deductions from plan net assets.
- The **Notes to the Financial Statements** provide additional data that is essential to a complete understanding of the financial statements as well as providing brief descriptions of the plan and the System's accounting policies.
- The **Required Supplemental Information – Part II**, including the *Schedule of Funding*, the *Schedule of Employer Contributions*, and the *Notes to the Required Supplemental Information*, provides historical trend information about the actuarially determined funded status of the System from a long-term, on-going plan perspective and the progress made in accumulating sufficient assets to pay benefits when due.
- The **Additional Information** is presented for the purposes of additional analysis and is a required part of the financial statements.

**Financial Analysis**

To begin our financial analysis, a summary of the System Plan Net Assets is presented below:

**Condensed Statements of Plan Net Assets**

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Assets			
Cash	\$ 5,839,034	\$ 3,700,489	\$ 2,138,545
Receivables	715,923	626,519	89,404
Investments, at fair value	83,687,691	80,906,014	2,781,677
Fixed assets, net	3,225	2,930	295
Total Assets	<u>90,245,873</u>	<u>85,235,952</u>	<u>5,009,921</u>
Liabilities	<u>(630)</u>	<u>(570)</u>	<u>(60)</u>
Plan Net Assets	\$ 90,245,243	\$ 85,235,382	\$ 5,009,861

As the table above shows, Plan Net Assets increased by \$5,009,861, primarily due to an increase of cash from investments, and an increase in the fair value of securities. Explanations of the more significant changes in individual asset categories are presented below:

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2007**

- **Cash** - During the latter part of 2007, due to the volatile nature of investment markets, the system moved a portion of its invested assets to cash. The table above shows that the total cash amounts increased by \$2,138,545 as a result of this activity. It is anticipated that as market conditions permit, these funds will be committed to long-term investments in accordance with the investment policy of the system. In the meantime, all of the cash balances earn interest at a very favorable rate to the system while being kept available for investment purposes. The system set up a "sweep account" for its bank accounts, with all of the available funds being moved into a nightly repurchase agreement resulting in a compounding of interest on these funds.

In addition, the system has calls on its cash balances by those persons participating in the DROP program. The termination of participation is a choice of timing by the individual, resulting in a need to disperse large cash amounts at the time of notice given by these persons. Further, the decisions of individuals completing the DROP to continue employment required the establishment of an interest bearing sub-account for their accumulated DROP funds. At year-end, the total in the sub-accounts totaled \$356,263 – individuals have a call on these funds at a time of their choosing thereby increasing the need for a ready amount of funds.

- **Receivables** – As cash is invested and the number of equities increasing or beginning to pay dividends together with the normal payment of interest on a variety of fixed income securities resulted in a continuing accrual of monies at year end.
- **Investments** – The investment returns for 2007 were impacted by a period of volatility that prevailed during the entire year. Markets were impacted by factors affecting the mortgage and financial industries resulting in a series of downturns in the markets on three occasions during the year – with each downturn more severe than the preceding one. On top of each of these market turns, an assassination of a major foreign political figure again riled the markets at year-end. Each of these major movements greatly impacted the System's investments. Notwithstanding all of the above, the system ended the year with a 5.51% total return – with the return on equities showing a 7.99% return and fixed income securities, 3.11%.

A summary of Changes in Plan Net Assets is presented below:

**Condensed Statements of Changes in Plan Net Assets**

	<u>2007</u>	<u>2006</u>	<u>Change</u>
<b>Additions</b>			
Employer	\$ 5,217,854	\$ 5,026,930	\$ 190,924
Plan members	1,753,249	1,672,547	80,702
Purchased service	-	33,482	(33,482)
Net investment income (loss)	<u>4,703,043</u>	<u>7,849,690</u>	<u>(3,146,647)</u>
Total Additions	\$ 11,674,146	\$ 14,582,649	\$ (2,908,503)
<b>Deductions</b>			
Plan benefits	5,767,417	5,814,846	(47,429)
DROP benefits	491,322	226,279	265,043
Employee refunds	206,281	259,071	(52,790)
Transfers to other systems	72,993	-	72,993
Administrative expenses	<u>126,272</u>	<u>123,212</u>	<u>3,060</u>
Total Deductions	\$ 6,664,285	\$ 6,423,408	\$ 240,877
<b>Net Increase (Decrease) in Plan Net Assets</b>	\$ 5,009,861	\$ 8,159,241	\$ (3,149,380)

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2007**

This table indicates that plan net assets increased by \$5,009,861 at the end of 2007 as compared to \$8,159,241 for the previous year. The change in investment climates year-over-year primarily were responsible for the change in amounts. Cash levels increased as detailed in the section above, and the ending fair value of assets increased for the year, in spite of the downturn in the markets in the final quarter of 2007.

- **Employer contributions** - Employer contributions levels declined as a percentage of payroll as a result of the positive investment returns of prior years. The current rate, which is 28.20%, was effective on May 1, 2007 reflected a drop from the earlier rate of 29.68%. Again in May 2008, the rate will decline to 26.49% of payroll. While the rate for 2010 will be determined by the actuarial valuation currently in progress, it can be anticipated that due to the drop in investment returns for 2007, the rate will be impacted.
- **Investment Income** – The retirement system invests in markets with a prudent amount of risk taken, but it cannot control the events that shape and govern the markets in which we place our funds. The retirement system matched or exceeded the indices it measures itself against during the year ended December 31, 2007.

**Other Information**

The level of active members, which in previous years had shown a decline, has returned to a more normal level. The numbers of retirees has stabilized, but this number should again begin to increase as the number of persons terminating from the DROP enters active retirement status.

The actuarial liability of the system has, in recent years, indicated a solid and steady reduction of the unfunded liability of the system. That report speaks for itself, and will not be addressed in this writing.

When one views a multi-year summary of the major accounts of the system, a continued positive growth continues to be made. The increase in the DROP payments will continue to place a greater degree of call on the cash of the system and will require a reserving of amounts for this item.

**Request for Information**

This financial report of the System is designed to provide a general overview of the System's finances for interested parties. Any request for additional information should be directed to the City of Alexandria Employees' Retirement System, P. O. Box 71, Alexandria, LA 71309.



## **Financial Statements**

**City of Alexandria Employees' Retirement System**  
**Statement of Plan Net Assets**  
**December 31, 2007**

**Exhibit A**

**Assets**

Cash and cash equivalents		\$ 5,839,034
Accrued interest and dividends receivable		715,923
Investments, at fair value:		
Corporate bonds (amortized cost \$19,648,390)	18,541,744	
Zero coupon treasury receipts (amortized cost \$2,151,769)	3,022,212	
GNMA notes (amortized cost \$51,739)	69,430	
U.S. government agency notes (amortized cost \$10,355,026)	10,431,105	
Corporate stocks		
Preferred stocks (cost \$6,410,562)	5,410,121	
Common stocks (cost \$36,774,138)	46,213,079	
Total Investments (cost \$75,391,624)		83,687,691
Furniture, fixtures, and equipment, net of depreciation		3,225
Total Assets		90,245,873

**Liabilities**

Payroll taxes withheld	630
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**Net Assets Held in Trust for Pension Benefits**

(A schedule of funding progress is presented on page 16)	<u>\$ 90,245,243</u>
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The accompanying notes are an integral part of the financial statements.

**City of Alexandria Employees' Retirement System  
Statement of Changes in Plan Net Assets  
Year Ended December 31, 2007**

**Exhibit B**

**Additions**

Contributions	
Employer	\$ 5,217,854
Plan members	1,753,249
Total Contributions	<u>6,971,103</u>
Investment income	
Interest	2,014,221
Dividends	1,339,413
Net appreciation (depreciation) in fair value of investments	1,349,409
Total Investment Income (Loss)	<u>4,703,043</u>
Total Additions	<u>11,674,146</u>

**Deductions**

Plan benefits	5,767,417
DROP benefits	491,322
Employee refunds	206,281
Transfers to other systems	72,993
Administrative expenses	126,272
Total Deductions	<u>6,664,285</u>

<b>Net Increase (Decrease)</b>	<b>5,009,861</b>
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<b>Net Assets Held in Trust for Pension Benefits, Beginning of Year</b>	<b><u>85,235,382</u></b>
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<b>Net Assets Held in Trust for Pension Benefits, End of Year</b>	<b><u><u>\$ 90,245,243</u></u></b>
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The accompanying notes are an integral part of the financial statements.

**City of Alexandria Employees' Retirement System**  
**December 31, 2007**

**Notes to Financial Statements**

**1. Plan Description and Significant Accounting Policies**

The City of Alexandria Employees' Retirement System (the System) is the administrator of a single-employer defined benefit plan established by Act 459 of the Louisiana Legislature of 1948, as amended, and administered by the City of Alexandria. The System is considered part of the City of Alexandria financial reporting entity and is included in the City's financial reports as a pension trust fund.

The financial statements contained herein present only the City of Alexandria Employees' Retirement System and are not intended to present fairly the financial position and results of operations of the City of Alexandria, Louisiana, in conformity with accounting principles generally accepted in the United States of America.

**Plan Description**

Substantially all employees of the City, except firemen and policemen, become members of the System as a condition of employment. At December 31, 2007, System membership consisted of:

Current employees	
Vested	274
Nonvested	251
DROP participants	11
Terminated members due future benefits	4
Terminated members not due future benefits	126
Retirees and survivors currently receiving benefits	<u>337</u>
Total	1,003

The following brief description of the System is provided for general information only.

**Retirement Benefits** - Members with ten years of creditable service may retire at age sixty-two; members with at least twenty years of creditable service may retire at age sixty; members with twenty-five years of service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's average compensation multiplied by number of years of creditable service, not to exceed one hundred percent of average compensation. (Average compensation is defined as the highest three year average annual compensation.)

**Disability Benefits** - Five years of creditable service are required in order to be eligible for disability benefits. Disabled members receive a retirement allowance if they have attained the age of sixty-two. Otherwise, they receive three percent of the final average compensation for each year of service, not to be less than three hundred dollars per year.

**City of Alexandria Employees' Retirement System**  
**December 31, 2007**

**Notes to Financial Statements**

Survivor Benefits - Three years of creditable service are required in order to be eligible for survivor benefits. The survivor is entitled to twice the amount of accumulated contributions or two months salary, whichever is greater, plus \$1,000. If the member has completed fifteen or more years of service, the surviving spouse is entitled to an automatic option 2 benefit (an actuarially equivalent joint and full survivor benefit) which ceases if the spouse remarries. In lieu of option 2, the spouse may receive the greater of a refund of twice the member's contributions with interest earnings or two months salary. Widows, who are at least age fifty, of members who die prior to retirement but subsequent to becoming eligible to retire are entitled to automatic option 2 benefits.

Deferred Retirement Option Plan - In lieu of terminating employment and accepting a service retirement allowance, any member of the system who has at least ten years of creditable service and who is eligible to receive a service retirement allowance may elect to participate in the Deferred Retirement Option Plan for up to thirty-six months and defer the receipt of benefits. Creditable service shall not include service reciprocally recognized pursuant to R.S. 11:142. Upon commencement of participation in the DROP plan, active membership in the system terminates and the participant's contributions cease; however, employer contributions continue. Compensation and creditable service remain, as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan account. Upon termination of employment at the end of the specified period of participation, a participant in the program may receive, at his option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon his account balance (or any other method of payment subject to approval by the Board of Trustees); in addition, the member receives the monthly benefits that were paid into the fund during the period of participation. After a member has terminated his participation in the plan, the member's individual account balance in the plan will earn interest at the actual rate of return earned on such funds left on deposit with the system. Such funds will be invested in accordance with a policy adopted by the board of trustees. The accrued interest will be credited to the individual account on an annual basis. If employment is not terminated at the end of the participation period, payments into the account cease and the member resumes active contributing membership in the system. The monthly benefit payments that were being paid into the DROP fund are paid to the retiree and an additional benefit based on his additional service rendered since termination of DROP participation is calculated using the normal method of benefit computation. The average compensation used to calculate the additional benefit is that used to calculate the original benefit unless his period of additional service is at least thirty-six months. In no event can the entire monthly benefit amount paid to the retiree exceed 100% of the average compensation used to compute the additional benefit. If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance is paid to his named beneficiary or, if none, to his estate.

Contribution Refunds - Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions on request. Receipt of such a refund cancels all accrued rights in the System.

Contribution Rates - Covered employees are required by statute to contribute ten percent of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the System at an actuarially determined rate. Benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.

**City of Alexandria Employees' Retirement System  
December 31, 2007**

**Notes to Financial Statements**

Administrative Costs - Administrative costs of the plan are financed through investment earnings.

**Significant Accounting Policies**

Basis of Accounting - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investments - Statutes allow the System to invest in securities issued, guaranteed, or insured by the United States government; bonds and other evidence of indebtedness issued by states or their political subdivisions; stocks, bonds, or other securities or evidence of indebtedness issued by any solvent corporation created under the laws of the United States or any of the states of the United States; and certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana.

Investments are reported at fair value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

Furniture, Fixtures, and Equipment - Furniture, fixtures, and equipment are valued at historical cost less accumulated depreciation. The minimum capitalization threshold is any individual item with a total cost greater than or equal to \$250. Depreciation is computed using the straight-line method over the estimated economic life of the assets.

**2. Cash**

The System's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the System or its agent in the System's name (GASB Category 1).

**City of Alexandria Employees' Retirement System**  
**December 31, 2007**

**Notes to Financial Statements**

**3. Investments**

As of December 31, 2007, the System had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Corporate bonds	\$ 18,541,744	\$	\$ 186,000	\$2,465,879	\$ 15,889,865
Zero coupon treasury receipts	3,022,212			3,022,212	
GNMA notes	69,430	277	8,027	43,183	17,943
U. S. government agency notes	10,431,105		149,098		10,282,007
Total Interest-Bearing	32,064,491	\$ 277	\$ 343,125	\$5,531,274	\$ 26,189,815
Preferred stocks	5,410,121				
Common stocks	46,213,079				
Total Investments	\$ 83,687,691				

*Interest Rate Risk:* The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

*Credit Risk:* The System may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. In addition, the System may invest in corporate stocks and bonds. The System's investment policies limits its corporate debt investments to bonds rated at least BBB by Standards and Poor's or Baa by Moody's Investor Services.

*Custodial Credit Risk:* The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All of the System's investments are held by the System or its agents in the System's name.

**4. Furniture, Fixtures, and Equipment**

A summary of changes in furniture, fixtures, and equipment during the year is presented below:

	Balance Beginning	Additions	Deletions	Balance Ending
Furniture and fixtures	\$ 4,138	\$ 1,800	\$	\$ 5,938
Equipment	6,276		(460)	5,816
Total	10,414	1,800	(460)	11,754
Accumulated depreciation	(7,484)	(1,505)	460	(8,529)
Net	\$ 2,930	\$ 295	\$ -	\$ 3,225

**City of Alexandria Employees' Retirement System  
December 31, 2007**

**Notes to Financial Statements**

The following estimated lives are used to compute depreciation on the straight-line method.

Furniture and fixtures	7-10 years
Computer equipment	5 years

Depreciation expense recorded in the financial statements for the year ended December 31, 2007, amounted to \$1,505.



**Required Supplemental Information**  
**Part II**

**City of Alexandria Employees' Retirement System**  
**Required Supplemental Information**  
**Schedule of Funding Progress**  
(in thousands of dollars)

Schedule 1

<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) - Frozen Entry Age</b>	<b>(3) Funded Ratio (1) / (2)</b>	<b>(4) Unfunded AAL (UAAL) (2) - (1)</b>	<b>(5) Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll (4) / (5)</b>
12/31/98	55,151	75,371	73.2%	20,220	13,393	151.0%
12/31/99	62,301	82,642	75.4%	20,341	14,231	142.9%
12/31/00	67,268	87,647	76.7%	20,379	13,690	148.9%
12/31/01	68,892	89,248	77.2%	20,356	14,500	140.4%
12/31/02	66,448	86,593	76.7%	20,145	15,196	132.6%
12/31/03	66,317	86,179	77.0%	19,862	14,639	135.7%
12/31/04	68,816	88,315	77.9%	19,499	14,522	134.3%
12/31/05	75,252	94,301	79.8%	19,049	15,961	119.3%
12/31/06	81,480	99,983	81.5%	18,503	16,725	110.6%
12/31/07	90,346	108,197	83.5%	17,851	18,400	97.0%

See independent auditor's report and notes to the required supplemental information on page 18.

**City of Alexandria Employees' Retirement System  
Required Supplemental Information  
Schedule of Employer Contributions**

**Schedule 2**

<b><u>Year Ended</u></b>	<b><u>Annual Required Contribution</u></b>	<b><u>Percentage Contributed</u></b>
12/31/1998	2,450,850	100%
12/31/1999	2,527,803	100%
12/31/2000	2,479,254	100%
12/31/2001	2,414,828	100%
12/31/2002	2,490,139	100%
12/31/2003	2,734,983	100%
12/31/2004	3,371,285	100%
12/31/2005	4,445,154	100%
12/31/2006	5,026,930	100%
12/31/2007	5,217,854	100%

See independent auditor's report and notes to the required supplemental information on page 18.

**City of Alexandria Employees' Retirement System  
Notes to Required Supplemental Information**

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/07
Actuarial cost method	Frozen Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	12 years
Asset valuation method	Common stock values were determined by using a three year smoothing of realized and unrealized capital losses. For all other assets, amortized cost was used.

Actuarial assumptions:

Investment rate of return	8.00%
Projected salary increase	5.50%
Includes inflation at	3.25%
Includes merit raises at	2.25%
Cost-of-living adjustments	None

See independent auditor's report.

### **Additional Information**

**City of Alexandria Employees' Retirement System**  
**Schedule of Cash Receipts and Cash Disbursements**  
**Year Ended December 31, 2007**

**Schedule 3**

**Cash Receipts**

Employer contributions	\$ 5,217,854
Member contributions	1,753,249
Interest received	1,965,669
Dividends received	1,298,561
Proceeds from sale or redemption of investments	<u>20,973,937</u>
Total Cash Receipts	<u>31,209,270</u>

**Cash Disbursements**

Plan and DROP benefits	6,258,739
Refunds of contributions	206,281
Transfers to other systems	72,993
Administrative expenses	124,707
Purchase of capital assets	1,800
Purchase of investments	<u>22,406,205</u>
Total Cash Disbursements	<u>29,070,725</u>

<b>Net Increase (Decrease) in Cash</b>	<b>2,138,545</b>
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<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>3,700,489</u></b>
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<b>Cash and Cash Equivalents, End of Year</b>	<b><u><u>\$ 5,839,034</u></u></b>
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See independent auditor's report.

**City of Alexandria Employees' Retirement System**  
**Investments - Corporate Bonds**  
**December 31, 2007**

Schedule 4

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
Aetna, Inc.	8/15/2023	7.250%	200,000	198,350	229,164
Apache Corporation	1/15/2037	6.000%	300,000	294,288	295,321
Atlantic Richfield	2/1/2022	8.250%	200,000	200,000	258,308
Atlantic Richfield	3/1/2032	8.750%	100,000	100,000	141,163
Bell South Telecommunications	6/1/2028	6.375%	500,000	500,000	494,887
Bell South Telecommunications	11/15/2045	5.850%	800,000	740,855	730,637
Cincinnati Gas & Electric	6/15/2033	5.375%	500,000	477,194	452,524
Citigroup Inc	10/31/2033	6.000%	500,000	500,000	472,716
Cleco Power LLC	12/1/2035	6.500%	210,000	210,000	217,862
Coca Cola Enterprises	9/15/2022	8.000%	300,000	300,000	362,084
Coca Cola Enterprises	9/15/2028	6.750%	500,000	497,700	553,206
Dow Chemical	4/1/2021	9.000%	135,000	134,924	173,261
Eastman Kodak	6/1/2021	9.200%	115,000	114,094	117,875
Ford Motor Company	9/15/2011	9.500%	200,000	199,924	186,000
Ford Motor Company	11/15/2025	7.125%	500,000	500,000	345,000
Ford Motor Company	7/16/2031	7.450%	500,000	500,000	370,000
Ford Motor Company	7/16/2031	7.450%	600,000	597,199	444,000
Ford Motor Company	1/15/2022	8.875%	300,000	298,550	238,500
General Electric Capital Corporation	10/6/2017	5.500%	500,000	499,625	492,699
General Electric Capital Corporation	5/12/2018	6.350%	1,000,000	1,000,000	1,012,086
General Electric Capital Corporation	2/13/2019	4.750%	400,000	400,000	396,015
General Electric Capital Corporation	3/30/2019	5.000%	300,000	300,550	290,537
General Electric Capital Corporation	3/30/2024	4.750%	300,000	300,000	288,195
General Electric Capital Corporation	10/15/2026	6.150%	200,000	200,000	201,705
General Motors	4/15/2016	7.700%	500,000	500,000	418,750
General Motors	9/1/2025	7.400%	625,000	622,786	464,063
General Motors	7/15/2033	8.375%	500,000	497,917	403,750
Goldman Sachs Capital I	2/15/2034	6.345%	650,000	638,091	580,373
Goldman Sachs Group I	2/15/2033	6.125%	250,000	250,000	247,756
Goldman Sachs Group I	2/15/2033	6.125%	500,000	498,958	495,512
GTE Corp	4/15/2018	6.840%	500,000	496,493	542,344
GTE Corp-Verizon	4/15/2028	6.940%	500,000	503,980	532,410
Lehman Brothers	6/21/2037	6.500%	300,000	296,230	260,616
Mobil Oil	8/15/2021	8.625%	100,000	99,533	133,855
New Jersey Bell Telephone Co.	12/15/2024	6.800%	200,000	196,800	202,701
Ohio Power Company	7/15/2033	6.375%	290,000	289,396	288,534
Oklahoma Gas & Electric	8/1/2034	6.500%	750,000	765,438	803,086
Pacific Bell	10/15/2034	6.625%	260,000	260,000	260,281
Pacific Bell	10/15/2034	6.625%	1,000,000	1,000,000	1,001,081
Regions Financial	6/26/2037	6.450%	500,000	498,705	471,479
Regions Financial	12/10/2037	7.375%	300,000	299,100	302,141
SLM Corporation	1/25/2025	5.625%	1,000,000	1,000,000	751,743
SLM Corporation	8/1/2033	5.625%	400,000	381,170	289,144
SLM Corporation	8/1/2033	5.625%	500,000	500,000	361,430
Southern California Edison	4/1/2035	5.750%	300,000	301,306	293,299
U. S. West Communications Company	6/15/2023	7.500%	200,000	198,625	191,000
U. S. West Communications Company	9/15/2033	6.875%	200,000	195,619	184,500
Wyeth Company	2/15/2036	6.000%	300,000	294,990	298,151
Totals			<u>\$ 19,785,000</u>	<u>\$ 19,648,390</u>	<u>\$ 18,541,744</u>

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Investments - Zero Coupon Treasury Receipts  
December 31, 2007**

**Schedule 5**

<u>Description</u>	<u>Maturity Date</u>	<u>Yield</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Zero Coupon Treasury Receipt	08/15/14	8.661%	1,013,000	640,620	957,852
Zero Coupon Treasury Receipt	02/15/17	8.300%	2,075,000	987,956	1,417,808
Zero Coupon Treasury Receipt	06/01/17	7.000%	1,000,000	523,193	646,552
<b>Totals</b>			<u>\$ 4,088,000</u>	<u>\$ 2,151,769</u>	<u>\$ 3,022,212</u>

Yield represents yield to maturity.

See independent auditor's report.



**City of Alexandria Employees' Retirement System**  
**Investments - GNMA Notes**  
**December 31, 2007**

**Schedule 6**

<u>Description</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
GNMA Notes	9.00%	\$ 30,371	\$ 24,130	\$ 32,201
GNMA Notes	9.50%	6,254	3,643	6,856
GNMA Notes	10.00%	12,018	11,246	13,117
GNMA Notes	10.50%	3,402	2,099	3,725
GNMA Notes	11.00%	860	686	901
GNMA Notes	11.50%	1,143	788	1,234
GNMA Notes	12.00%	2,457	2,106	2,709
GNMA Notes	12.50%	5,899	5,238	6,597
GNMA Notes	13.00%	225	196	247
GNMA Notes	13.50%	522	292	579
GNMA Notes	14.00%	1,315	1,315	1,464
<b>Totals</b>		<u>\$ 64,466</u>	<u>\$ 51,739</u>	<u>\$ 69,430</u>

All of the above are monthly principal reduction notes, with final maturity scheduled on various dates.

See independent auditor's report.

**City of Alexandria Employees' Retirement System**  
**Investments - U.S. Government Agency Notes**  
**December 31, 2007**

Schedule 7

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
FHLB Callable	01/24/11	4.010%	150,000	150,000	149,098
FHLB Callable	02/28/20	5.550%	500,000	493,077	497,646
FNMA Callable	04/06/20	6.000%	500,000	492,160	500,160
FNMA Callable	04/20/20	6.000%	500,000	500,000	500,160
FHLB Callable	06/09/20	5.750%	515,000	504,102	515,107
FNMA Callable	08/18/20	6.000%	515,000	508,448	515,160
FHLMC Callable	11/16/20	6.000%	500,000	500,000	500,123
FHLMC Callable	04/07/21	6.250%	610,000	604,139	612,596
FHLMC Callable	06/16/21	6.550%	610,000	609,085	615,334
FNMA Callable	01/12/24	6.000%	1,000,000	1,000,000	1,000,311
FNMA Callable	02/12/24	6.000%	500,000	500,000	500,158
FNMA Callable	02/12/24	6.000%	1,000,000	995,896	1,000,316
FNMA Callable	10/24/25	5.500%	1,000,000	1,000,000	1,000,117
FNMA Callable	10/27/25	6.250%	1,000,000	1,000,000	1,000,384
FHLMC Callable	06/07/27	6.000%	1,000,000	1,000,000	1,025,910
FNMA Callable	10/10/36	6.250%	500,000	498,119	498,525
Totals			<u>\$ 10,400,000</u>	<u>10,355,026</u>	<u>\$ 10,431,105</u>

See independent auditor's report.

**City of Alexandria Employees' Retirement System**  
**Investments - Preferred Stocks**  
**December 31, 2007**

Schedule 8

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
ABN AMRO Capital Trust VII	3,920	99,921	77,616
AT&T, Inc.	15,000	375,000	364,800
BAC Capital Trust V	3,950	99,975	83,345
BAC Capital Trust VIII	10,000	250,000	209,000
Capital One, 7.50%	12,000	300,000	251,400
Citigroup Capital Trust XI	3,930	99,979	79,700
Citigroup Capital XIV, 6.875%	12,000	300,000	278,400
Citigroup Capital XVI, 6.45%	6,000	150,000	124,200
Duke Realty Corp 6.6% Series L	3,940	99,997	81,558
Entergy Arkansas	5,000	139,250	127,450
FPL Group Capital Trust I	3,940	99,918	85,971
Gabelli DVD & Inc. Trust	3,880	100,104	86,574
General Electric Capital Corporation	2,500	68,500	62,725
General Motors (BGM)	15,000	375,000	244,215
General Motors (HGM)	2,500	65,000	40,312
Goldman Sacs Corporation	15,000	375,000	308,250
JP Morgan Chase Capital Trust XIV	13,390	337,512	292,170
Lehman Capital Trust V	13,980	349,858	278,482
Merrill Lynch 6.375%	10,000	250,000	210,310
Metlife, Inc. 5.875%	3,920	99,999	85,299
Metlife, Inc. 6.50%	15,000	375,000	334,500
Morgan Stanley Capital Trust, 6.60%	12,000	300,000	255,000
Natural Rural Utility CFC	4,007	100,015	86,511
PLC Capital Trust V	3,930	99,979	80,251
Prologis Trust 6.75% Series F	3,870	99,885	84,443
USB Capital VII	20,000	490,000	407,200
USB Capital X	12,000	300,000	264,600
Virginia Power Capital	5,000	143,000	121,950
Vornado Realty Trust 6.625%	3,970	99,885	81,703
Wachovia Pfd Funding 7.25%	3,430	99,985	82,286
Wells Fargo Capital Trust	10,000	267,800	239,900
Totals		<u>\$ 6,410,562</u>	<u>\$ 5,410,121</u>

See independent auditor's report.

**City of Alexandria Employees' Retirement System**  
**Investments - Common Stocks**  
**December 31, 2007**

**Schedule 9**  
**(Continued)**

<b>Description</b>	<b>Number of Shares</b>	<b>Cost</b>	<b>Fair Value</b>
Adobe Systems, Inc	1,373	43,594	58,668
Alcatel Lucent	1,952	60,858	14,289
Alcon, Inc	229	29,992	32,756
Amgen, Inc.	25,000	1,574,993	1,161,000
Anadarko Petroleum Co.	14,000	693,045	919,660
Apache Corp	7,000	481,814	752,780
AT&T, Inc.	36,262	1,257,867	1,507,049
Autodesk, Inc.	602	30,104	29,956
BB & T Corp	20,000	870,019	613,400
Bristol Myers Squibb	30,000	840,251	795,600
Bucyrus International, Inc.	489	30,443	48,602
Cameron International Corp	351	30,014	16,894
Cerner Corp	411	19,782	23,180
Cisco Systems, Inc.	45,000	1,321,162	1,218,145
Citadel Broadcasting	3,455	15,287	7,117
CLECO	34,000	570,479	945,200
Coco Cola Company	31,149	1,553,282	1,911,614
Colonial BancGroup, Inc	25,000	637,751	338,500
Comcast Corp	1,819	77,582	33,215
Corning, Inc.	23,000	800,952	551,770
Danaher Corporation	756	40,756	66,331
Dell Computer Corp	30,000	845,310	735,300
Dow Chemical	15,000	676,220	591,300
Eli Lilly and Company	6,000	350,891	320,340
EMC Corporation	48,782	1,148,393	903,930
Emerson Electric Company	36,000	777,760	2,039,760
Exxon Mobil	20,000	454,920	1,873,800
FPL Group	12,000	381,835	813,360
General Cable Corp.	406	31,076	29,752
General Dynamics Corp	684	40,775	60,869
General Electric Company	60,000	459,298	2,224,200
Halliburton	15,000	459,848	568,650
Helmerich & Payne, Inc.	10,000	276,256	400,700
Hershey Foods Corp	12,000	214,320	472,800
Hewlett-Packard Co.	20,000	897,724	1,009,600
Home Depot, Inc.	25,000	1,014,157	673,500
Honeywell International	12,000	696,370	738,840
Intel Corporation	50,000	1,166,934	1,333,000
International Business Machines	24,000	497,836	2,594,400

**City of Alexandria Employees' Retirement System**  
**Investments - Common Stocks**  
**December 31, 2007**

**Schedule 9**  
**(Concluded)**

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
ITT Industries, Inc Indiana	764	\$ 36,986	\$ 50,455
Jabil Circuit, Inc.	500	20,259	7,635
Janus Capital Group	2,099	60,937	68,952
JDS Uniphase Corporation	2,937	791,116	39,062
Johnson & Johnson	23,000	1,416,199	1,534,100
Lam Research Corp	593	30,692	25,635
McDonalds Corp.	27,000	1,013,923	1,590,570
Medtronic, Inc	28,000	827,641	1,407,560
Microsoft Corporation	45,000	1,259,133	1,602,000
Murphy Oil Corp.	7,000	398,232	593,880
Nokia Corp.	11,306	427,851	434,037
Nvidia Corporation	791	30,092	26,910
OGE Energy	4,000	83,732	145,160
Pepsico, Inc.	20,500	734,201	1,555,950
Pfizer	53,746	1,077,715	1,221,647
Procter & Gamble Co.	24,625	1,128,822	1,807,967
Qwest Comm. Intl. Inc.	10,000	268,561	70,100
Schering-Plough	2,047	61,026	54,532
Sprint Nextel Corp.	1,868	38,377	24,527
Starbucks Corporation	15,000	440,390	307,050
Stryker Corp.	469	30,230	35,044
Symantec Corporation	12,500	256,284	201,750
Tenet Healthcare Corp.	12,000	511,622	60,960
Terex Corporation	756	59,959	49,571
Time Warner	20,000	764,741	330,200
United Parcel Service, Inc.	7,000	550,881	495,040
Varian, Inc	509	30,309	29,685
Verizon Communications	20,000	714,583	873,800
W.M. Wrigley Company - Class A	10,000	176,838	585,500
W.M. Wrigley Company - Class B	2,500	44,210	147,500
Wachovia	618	25,808	23,503
Walgreen Co.	10,000	450,235	380,800
Wal-Mart Stores	10,000	484,516	475,300
Walt Disney Co.	45,000	1,096,934	1,452,500
Waters Corporation	545	30,097	43,093
Western Digital Corporation	1,032	31,056	31,177
Totals		\$ 36,774,138	\$ 46,213,079

See independent auditor's report.

**Other Report Required by  
Government Auditing Standards and the  
Louisiana Governmental Audit Guide**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1946

**Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**Board of Trustees**

**City of Alexandria Employees' Retirement System**

We have audited the financial statements of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana), as of and for the year ended December 31, 2007, and have issued our report thereon dated May 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Alexandria Employees' Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not the purpose of expressing an opinion on the effectiveness of the City of Alexandria Employees' Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Alexandria Employees' Retirement System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Alexandria Employees' Retirement System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Alexandria Employees' Retirement System's financial statements that is more than inconsequential will not be prevented or detected by the City of Alexandria Employees' Retirement System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Alexandria Employees' Retirement System's internal control.

MARVIN A. JONIAN, C.P.A.  
ERNEST T. SASSER, C.P.A.  
ROBERT L. LITTON, C.P.A.

ROBERT W. BYORAK, C.P.A.  
REBECCA D. MORRIS, C.P.A.  
MICHAEL A. JUNEAU, C.P.A.

JAMES H. BALLARD, C.P.A.  
CINDY L. HUMPHRIES, C.P.A.



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PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees  
City of Alexandria Employees'  
Retirement System

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alexandria Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management of the City of Alexandria Employees' Retirement System, and the Legislative Auditor's Office of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants

May 19, 2008



### **Schedule of Findings and Responses**

**City of Alexandria Employees' Retirement System  
Schedule of Findings and Responses  
Year Ended December 31, 2007**

**Part I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_ Yes     X  No

Control deficiency(ies) identified not considered to be material weaknesses?

\_\_\_\_ Yes     X  None reported

Noncompliance material to the financial statements noted?

\_\_\_\_ Yes     X  No

*Federal Awards*

Not Applicable

*Prior Year Audit Findings*

None

*Management's Corrective Action Plan*

Not Applicable

*Other Comments and Recommendations*

Not Applicable

**Part II - Findings Related to the Financial Statements**

None

**Part III - Findings and Questioned Costs for Federal Awards**

Not Applicable